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AUTHOR Simmons, Helen M.
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ABSTRACT

Designed to assist professionals who are confronted with clients in need of financial guidance, this financial counseling manual is presented in seven chapters. Chapter 1 focuses on the helping relationship and discusses counselor attitudes, client characteristics, making contacts, and interviewing. Chapter 2 explains the causes of over-extension of credit, including temporary unemployment, permanent loss of income, lack of planning, and other possible causes. Financial counseling techniques are presented in chapter 3, including structuring the interview; asking appropriate questions; systematic inquiry; active listening and effective use of silence; reflection; conceptualizing client concerns; establishing realistic and achievable goals; designing effective procedures; values and behavior change; termination, evaluation, and follow-up; and review questions and feedback. Chapter 4 describes the major stages in decision making: anticipation and implementation. Chapter 5 outlines a process for developing a budget which includes guidelines for determining values and goals and suggestions for decreasing spending. Forms for recording these expenses are also included. Chapter 6 provides directions for developing a contractual payment plan. Finally, chapter 7 describes an evaluation and follow-up plan which can be used to assess the financial counseling process. (A series of related consumer education learning modules, CE 016 111 and CE 016 086-087, are also available.) (BM)

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A FINANCIAL COUNSELING MANUAL

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PREFACE

Many persons in service careers, such as non-profit financial couselors, educators, ministers, extension personnel, businessmen, and Family Service Association personnel are called upon to help others in a variety of ways. As they deal with nutrition education, family problems, or even the latest developments in fabric finishes, they are within the realm of consumer interest and needs. The rising rate of inflation, the increase in bankruptcy filings and the depressing energy situation are all factors which have produced a need within the general public to turn to someone for financial advice and guidance.

This manual is intended for those persons within a service or helping profession, who are confronted with individuals in need of financial guidance. Although service oriented careers require preparation for working with people, very seldom does the formal preparation include dealing with their financial problems. Therefore, it is hoped that this manual will bridge the gap and help teachers extend their educational approach to include such goals as: dealing with debt and financial crisis; promoting and teaching of extension personnel about counseling procedures and referral avenues; educating ministers and businessmen to help others deal more effectively with financial crisis; teaching service organizations to develop more effective budgeting practices; enabling banking and credit institutions to deal more effectively as financial educators, not merely as money takers and lenders. These are just some of the possible uses of this publications. In general, it is a resource guide for any professional in a service career so that he may function more effectively as he deals with others in the area of financial resources.

As problem arises in terminology. In general, the word client tends to suggest a structured counseling relationship. However, in this manual a much broader definition is applied. The word client refers to the person or group primarily on the receiving end of a helping relationship. The term counselor, then refers to the individual who is primarily on the giving end of the helping relationship.

In addition, problems with sexism in our language have surfaced. The "helper" and "helpee" may be either male or female, therefore, the word "he" has been used throughout in the context of the person or individual referred to, regardless of gender.

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CHAPTER I

A HELPING RELATIONSHIP

Financial counseling is a service-oriented or helping relationship. The client expects the counselor to help him with his financial problems. The counselor is interested in helping people with the management of their money, counseling on the proper use of credit, and ultimately solving financial crises. The client may be a single person, one spouse or both, and in some cases, may include all or some of the children.

Goals toward which financial counselors strive in their efforts to be helpful include:

A. Counselor and client participate in a meaningful, relevent, and valuable relationship.

B. Both parties express sensitivity; they are accepting and non-judgmental of each other.

C. Both parties relate in an open and honest way, showing respect and consideration of each other as persons of worth. The client is aware that withholding information may jeopardize the counselor's efforts on his behalf, therefore, the counselor trusts the client to provide factual and accurate data.

D. Both parties are willing participants in the counseling process. Creditors may sometimes suggest that the client seek help from the counselor, but the counselor is aware that force is not to be used to bring about counseling.

E. Both parties communicate effectively with one another, either verbally or non-verbally. The pleasant, reassuring manner of the counselor tells his client there is hope for an improved situation. The anxiety of the client may be communicated through gestures and facial expression.

F. Both parties search for resources that may be useful in reaching their short and long term goals.

G. The counselor is stable in the relationship; being free of fear and anxiety, he is approachable and clients are drawn to him.

H. The relationship is structured by both the counselor and the client; the client has ample opportunity to respond and the counselor is a good listener.

I. The counselor and client learn from each other, resulting in changed behavior on the part of the client. The client comes to an awareness of the reasons for his financial problems and understands what he must now do to overcome those problems.

COUNSELOR ATTITUDES

Much of the success attained in the helping relationship depends upon the couselor's attitudes toward his job and his clients. The following questions describe the helping relationship from the counselor's viewpoint:

Can I be perceived by the other person as being trustworthy, dependable, and consistent?

Can I be expressive enough as a person that what I am and what my purpose is will be communicated clearly?

Can I let myself experience positive attitudes toward this other person-- attitudes of warmth, caring, liking, interest, and respect?

Can I be strong enough as a person to be separate from the other?

Am I secure enough within myself to permit him his separateness?

Can I let myself enter fully into the world of his feelings and personal meanings and see those as he does?

Can I receive him as he is? Can I communicate this attitude?

Can I act with sufficient sensitivity in the relationship that my behavior will not be perceived as a threat?

Can I meet with this other individual as a person who is in the process of growth, or will I be bound by his past and by my past?

THE CLIENT

The counselor should know as much as possible about his clientele. According to Toelstrup (1970) the over extended consumer (s) most often:

1. are married couples (with children) who are in the lower middle income bracket. They are impatient to reach a standard of living they consider acceptable.

2. do not communicate well with each other, therefore, they are unable to successfully follow a spending plan.

3. lacks information on the costs of credit.

4. are accustomed to having what they want. They do not wait until items are affordable.

5. are undereducated in budgeting and management practices.

6. are behind in their payments and are worried about the possibility of losing everything to satisfy their creditors.

7. are frightened and desperate.

GETTING TOGETHER

The overextended consumer (hereafter referred to as client) may have been told by one or more of his creditors that he should seek the services of a financial counselor. He may have selected a counselor from the directory; from the creditor who may have furnished a list or a name; on the basis of a friend's recommendation; or from a former association.

From the moment the first contact is made, the client's impression of counseling begins to take shape. If he telephones, a concerned, friendly voice on the other end of the line will give him courage to pursue counseling, and after he is given an appointment, he will more than likely pursue it. Some clients may be scared off by the cold indifference of the receptionist who answers their first call.

In order to get the first appointment off to a good beginning, the person taking the client's call must be sure to give him information about the location of the counseling service. Tell him what street to take or which bus to use and which stop to make; inform him where he may park, and which building to enter; give him an estimated cost for parking, and directions for finding the office once he is inside the building (if such information is applicable).

Tell the client what to bring with him to the first interview and what information is needed. Ask him to bring:

1. Pay check stubs

2. Check stubs

3. Utility and other bills

4. Sales contracts

5. A complete list of creditors, account numbers, and addresses

If there is time between the client's call for an appointment and the date he is to come in, mail forms or lists of needed information to him, thereby reducing the likelihood of omissions.

Initiate the interview by explaining the counseling service:

1. Who provides the service

2. The anonymity of information

3. The objectives of the counseling process

4. The procedure followed in the counseling process

As you discuss the service, allow the client to comment or ask questions as both of you begin to relax and feel more at ease with each other. During these remarks, reassure the client that his case is not hopeless. Communicate to him that his financial crisis does not indicate that he is ignorant, worthless, or whatever emotion he may be feeling at the moment. When he sees the counseling process as working together to find alternative solutions to problems, he will begin to feel like a more useful individual.

INTERVIEWING

A. Where the interview takes place

The interview between counselors and clients is private and confidential. Conduct the interview in a quiet place (preferably a room) where the client feels sure that no one may overhear. Eliminate such distractors as telephone calls, radio sounds, adding machine operations, and intercom messages. Consider curtaining windows facing busy streets, to shut out the interference of noise and movement. Physical furnishings such as carpeting, wooden furniture, acoustical ceilings, draperies, and mats add warmth and sound proofing to the area being used for the interview.

If the client is to fill out any forms or do any writing during the session, seat him at a desk chair or give him a lap board, so that his writing is more legible and he is more comfortable. Provide such conveniences as a place to hang wraps, an ash tray if he smokes, sturdy chairs, etc. Avoid glaring light and maintain a comfortable room temperature.

Collect everything needed for the interview in advance (files, forms, pencils, pads, etc.) and place them within easy reach so there will be no need to leave the room.

B. Basic personality traits of the interviewer

Gorden (1975) suggests three important personality assets the interviewer must posess: flexibility, intelligence and emotional security. Flexibility allows you, as counselor, to be very active or completely passive, as needed to facilitate communication. Your intelligence permits you to evaluate the information you are receiving and to probe for further clarity if necessary. Emotional security frees you from anxiety about yourself and allows you to devote your complete attention to the "tasks of maximizing the flow of information and maintaining optimal interpersonal relations " (page 219). According to Gorden, the best prescription to follow is to master some of the basic interviewing techniques, tactics, and skills, and to prepare thoroughly for an interview, by planning some tentative alternative tactics and practicing whatever recording techniques you will use.

C. Developing a non-judgmental attitude

Learn to counteract the tendency to condemn client behavior that conflicts with your own standards. For example, a client who earns a livelihood as a prostitute is entitled to the same caliber of fincancial counseling as the client who is a college professor. The client who is clean-cut and clean-shaven is entitled to the same counseling that is possible for the bearded, long-haired client. Accept each client for what he is: a person in need of financial guidance and assistance. Assume that clients are equally deserving of your time and help.

Realize that behavior is an outgrowth of experience and that each client who comes for help is a product of a lifetime of experiences. Accept the behavior of each client as an indication of the type of experiences he has had and attempt to understand why he behaves as he does. Accepting behavior is not condoning it but rather understanding the feeling it expresses.

Gorden notes that if you display negative attitudes toward certain religious, racial, occupational, ethnic, educational, or political groups, it will prevent open and fair interrelationships between you and your client. Such attitudes act as barriers that prevent you from adjusting your behavior to that of your client. You may minimize these negative attitudes by listening to tapes of your interviews and by studying to develop an appreciation for the groups toward which you are biased. In some situations, prejudice may be a factor in a number of smaller matters such as with persons who are sloppy dressers, flashy dressers, overweight, show-offs, or women who are aggressive or men who are weak. She suggests that a helpful step in discovering your own prejudices is to make a list of the biases you know others possess. By scrutinizing your feelings in comparison to those listed, you become more aware of your own attitudes. The control of feelings rather than absence of feelings should be the counselor's goal.

SUMMARY

The financial counselor is engaged in a helping relationship; he interviews clients in a manner that indicates he is non-judgmental and sympathetic. He understands his clientele and strives to help in the quickest, most effective way possible. He avoids discrimination against any race, sex or minority group and works toward goals that result in maximum assistance to each one who seeks counseling.

CHAPTER II

CAUSES OF OVEREXTENSION OF CREDIT

In order to be able to initiate effective action on behalf of an overextended client, you should understand the reasons for the dilemma. You and your client need to become aware of the probable cause of financial problems before you begin the search for solutions.

There are many and varied reasons why people get into financial trouble. Often your client himself is unaware of what caused his problem, and sometimes the obvious reasons are undetected or clouded by circumstances. For example, loss of employment may bring on credit problems, but the reason for the loss of employment may hold the key to the problem. Illness, perhaps alcoholism, may be the problem, or the illness of a family member may have caused the absenteeism that led to the job loss.

Through skillful interviewing and investigation, you will discover what the cause of the client's difficulties is, then proceed with him through acceptable procedures, to identify the best possible solution.

This chapter discusses several of the more common causes of overextension of credit and suggests courses of actions you, the counselor, may take in solving financial problems.

The causes listed below are discussed in the order in which they are listed.

1-- Temporary unemployment
2-- Permanent loss of income
3-- A lack of prudent management of finances
4-- A lack of planning
5-- Attitude of irresponsibility toward paying debts
6-- Poverty
7-- Marital and family problems
8-- Accidents, repairs, and other unforeseen events
9-- Co-signer responsibility and lawsuits
10-- Wrong doing by the seller
11-- Payment misunderstanding
12-- Death of a family member

Temporary Unemployment

Loss of income through unemployment may be temporary, which is the cases when a plant, for lack of demand for its product, must furlough the workers until demand once again picks up. Workers may go on strike, or they may take time off to upgrade their skills in order to keep abreast of modernization processes. Illness of the breadwinner or of a member of his family may cause temporary unemployment. The death of a family member may dictate changes in residence or care of dependent persons; thereby, causing temporary absence from work and consequent loss of paychecks.

Solutions

When unemployment is temporary, the solutions for the debt-ridden client are less complicated than when the job loss is permanent.

1. Labor unions or credit unions may have funds from which the client may borrow enough to see him through the crisis.

2. You, as counselor, may write letters, or otherwise notify the client's creditors that there will be a temporary lapse in income and ask them to excuse payments during the time of unemployment. Or the client may ask that payments be reduced to the degree necessary to continue a smaller payment on a regular basis.

3. Borrowing money may be a solution to a temporary financial crisis, but you must determine whether the addition of another creditor will be catastrophic in the long run.

4. Sacrifices may be made in living expenses which would allow any available monies to be applied to payments. The expenditures for clothing may be cut out entirely or greatly curtailed Vacations, travel, entertainment and recreation may be eliminated. No new furniture and/or appliances may be purchased.

5. The client may be eligible for unemployment benefits.

6. Social services may be applied to for temporary relief in the form of food stamps or other welfare benefits. Become well acquainted with the social services in your area to advise your clients in making proper application for the appropriate aid.

7. Insurance benefits may be available upon application. Many people are unaware of their total coverage and may need your help in interpreting policies they hold. Thoroughly check any group insurance that covers employees.

8. The local health department may provide free medication and treatment for the person who is out of work because of illness.

9. Family members who are financially able to help may be contacted. You will want to use a great degree of tact and caution in this area. Pride does not allow some people to ask relatives for help. If the family can help, a repayment schedule should be designed and a record of payments kept. Terms should be clear to both parties to avoid misunderstandings. Vague agreements, such as "pay when you can" or "don't worry about it" should be avoided.

Permanent Loss of Income

Many people who have felt secure in their own independence and were confident that their employment was assured, may suddenly be plunged into desperate circumstances due to accident or illness. Heart attacks are common among both male and female as are crippling accidents. Emotional illness claims many victims as does the loss of hearing and eyesight. Arthritis cripples thousands annually and addiction drugs or alcohol renders many unemployable.

In thousands of cases, birth defects causing mental retardation and physical handicaps, have denied people the ability to be wage earners. These people themselves may not be the over-extended client, but their care and support may be contributing factors to the indebtedness of their families.

Solutions

As a concerned counselor, you must remain abreast of services available to clients in order to aid both the financial and psychological aspects of their problems. There are many organizations and agencies, local, statewide or nationally, that may be sources of assistance.

1. Your State Commission for the Visually Handicapped provides extensive services for the blind, or near blind, and in many instances, restores them to financial independence through vocational rehabilitation training.

2. Your State Council for the Deaf is concerned about all problems of the deaf and offers a variety of referral services to those handicapped by loss of hearing or hearing impairment.

3. Your State Affiliate of the American Heart Association may provide rehabilitation centers in hospitals throughout the state. Through this service, heart patients will be able to live full, more productive lives.

4. Your State Department of Vocational Rehabilitation provides a full range of services to physically, mentally, and emotionally handicapped persons.

5. U.S. Department of Health, Education and Welfare's Public Service, Alcohol, Drug Abuse and Mental Health Administration serves through Federal programs to prevent, control, and treat alcohol abuse and mental and emotional illness. The agency's missions are accomplished through grants and contracts for research, training projects, and delivery of treatment services to people through community-based centers and programs.

6. The U.S. Department of Housing and Urban Development works in conjunction with over 450 HUD-approved housing counseling agencies nationwide that assist individuals and families who use HUD-administered housing programs to meet their housing needs. The agencies' services include money management counseling for home buyers, homeowners and renters. Further information about these programs is available from HUD in Washington, D.C. and all HUD regional, area, and insuring offices.

7. Your State Mental Health Association and local affiliates are citizen efforts dedicated to improving attitudes toward mental illness and the mentally ill, to improve services for the mentally ill, and to improve efforts toward the prevention of mental illness. The agency is a branch of the National Association of Mental Health, Inc.

8. Alcoholics Anonymous offers counseling and rehabilitation services, as well as referrals to doctors, clinics, hospitals and other appropriate institutions.

9. The American Cancer Society, operating through the local society, provides direct service to the cancer patient. A loan closet is maintained to supply sick room equipment for the patient at home. The local group may also provide dressings, transportation, limited financial aid, and rehabilitation services.

10. The Veteran's Administration, supported by Federal taxes, provides hospital care and other services to veterans, their dependents and beneficiaries; many dependents and beneficiaries may not be aware of the service available to them.

11. The Easter Seal Society for Crippled Children and Adults, Inc. offers such services as transportation to medical centers, aides and appliances, occupational therapy, physical therapy, speech therapy, psychological services, counseling and guidance.

12. The American Social Health Association is concerned with the prevention and control of veneral disease. the control of commercialized prostitution, programs in drug dependence and abuse, and sex education.

13. The Arthritis Foundation aids the arthritic patient with free medicine and self-help devices.

14. Your State Bureau of Crippled Children, administered by your state Department of Health, is a specialized medical-surgical care program for medically indigent handicapped children who are judged to be rehabilitable.

15. Disabled American Veterans advises any veteran injured during service since December 7, 1941 (with an honorable discharge), dependent widows and orphans.

16. Family Services Association of America operates through local chapters under the United Fund and offers counseling around personal, marital, and family problems as well as homemaker services, protection services for the elderly, and crisis counseling for travelers.

17. The Muscular Dystrophy Association of America works through local chapters to assist patients with muscular dystrophy and related neuromuscular diseases. Local funds are used to assist patients with the purchase of orthopedic appliances and aids such as : lifts, wheelchairs, and hospital beds. The chapter may also provide therapy, counseling, recreation, and clinical services.

18. The National Multiple Sclerosis Society furnishes such aids as wheelchairs, lifts, walkers, canes, vibrators, crutches, and many other items in compliance with recommendations from the patient's physician.

19. Organizations such as Planned Parenthood, local crisis centers, Birthright International and others may be sources of help for those who need information and/or assistance with family planning and/or pregnancy.

Loss of wife's income due to an unplanned pregnancy may cause an overextension of credit. Several courses of action the counselor may take are:

1. Check to determine the status of the wife at her place of employment. If granting maternity leave is within the policy of the employer, then the loss of her income may be considered temporary and plans can be formulated accordingly.

2. Check the status of the woman on maternity leave to determine what, if any, benefits she may receive during her leave. For example, there may be income protection, hospitalization benefits, continuing seniority on the job or other alternatives which may not be immediately apparent.

3. Assist the family in evaluating their life-style. Perhaps the expenditures can be reduced to release enough money to make at least partial or minimal payments on debts.

4. Other family members may obtain employment, full or part-time. The husband may "moonlight" but this should be resorted to only after careful consideration of the effects it may have on the family and on the husband. His health should not be jeopardized by too long hours and strenous work. Teen-age children may get paper routes, bagger jobs in grocery stores, or other temporary work to pay for their own personal needs.

A Lack of Prudent Management of Finances

A lack of sales resistance accounts for much overspending and the purchase of un-needed items. Some individuals experience a relief of depression when they make a purchase; in other words, they buy to make themselves feel better.

Solutions

If the buying is not so easy and the client has to think through the purchase, or he is contemplating and aware of sales tactics, then he is better able to control his spending.

1. Doing away with credit cards helps to combat compulsive buying. Closing out charge accounts may also serve to greatly reduce spending. Many counselors ask clients to destroy their credit cards at the first counseling session.

2. Educating clients to recognize high pressure sales tactics may help him build a defense against them.

A Lack of Planning

Those individuals and families who have no definite goals toward which to work may spend their earnings in a "helter-skelter" manner. Planned spending, in keeping with definite goals, results in more efficient use of funds.

Solutions

Some possible ways to alleviate a lack of planning are:

1. Suggest that the client keep a record of all spending for at least a month. This will help him to understand where his money goes when there is no plan and no restriction.

2. Assist the client in determining the family's goals, both short and long-term. Once the goals have been agreed upon by all family members, each goal should be given a priority. Getting out of financial difficulty should become a top priority goal, and the family members should accept conditions necessary to reach that goal.

3. Educate the client in budgeting. Assist him in working out a flexible budget for the whole family, based upon the goals they have set.

4. Educate the client on good buying practices.

   a. Buy from a list that is based on goals and needs.
   b. Buy when seasonal sales are being held.
   c. Look for weekly specials.
   d. Buy in quantity when storage permits.
   e. Compare and consider the prices of convenience items with those of conventional items.

5. Help the client understand that when he is already ovextended he has little or no alternative: he must increase income or cut his expenses.

a. Lowering one's level of living is difficult and requires family cooperation.
b. Many comforts that are taken for granted are indeed luxuries and may be cut from the budget at no risk to family well being. For example:

1) Driving children to school when free bus service is available.
2) Driving to town and paying parking when public transportation is available.
3) Taking a taxi or limousine when a bus runs nearby.
4) Flying instead of using the bus on necessary travel.
5) Eliminating "junk" foods, soda, gum, candy, etc.
6) Selecting entertainment and leisure time activities that involve a minimum cost. For example; attending a Friday night high school football game in preference to the Saturday afternoon college game.

Attitude of Irresponsibility Toward Paying Debts

Many clients may feel that the world owes them-- and that there is "no sweat" about being able to pay one's debts. Such expressions from clients as, "You can't get blood from a turnip" may indicate a need for further probing for any additional evidence or this type of attitude.

Solutions

Identifying consequences of such an attitude may be helpful. In addition, identification of the source of cause of such an attitude may be revealing.

1. Some of the actions the creditor may take are:

a. Garnishment or wage assignment
b. Law suit to collect debts
c. Seizure of property
d. Penalties -- deficiency judgment

Such actions by the creditor can only add to the costs the client must pay. In some instances, penalties for late payment accrued over a period of time become substantial.

2. The attitude of irresponsibility toward payment of debt may well be a symptom of trouble in some area of the client's family life or his work. By skillful and tactful interviewing, you may disclose the problem or problems. Then you may want to make referral to agencies specializing in that field.

3. When you feel that the real problem has not been identified through interviewing your client, you may ask his permission to contact other family members or his employer. Make such contacts cautiously in ways that assure no adverse effect on the client.

Poverty

Many people are unskilled and work at minimum wage. These people often head households that include several dependents. You must determine the status of the wage earner to discover what assistance may be available through social services or other programs.

Solutions

If there are qualified workers in the household who are not earning because they cannot find jobs, put those persons in contact with the unemployment bureau. Children may be placed in day care centers in order to enable the mother to become a wage earner.

Following is a list of agencies that may be contacted for some type of assistance to the poor:

1. Churches of all sizes and denominations offer a variety of services. Many offer free clothing for the needy; free or minimum fee day care of pre-school children whose mother must work; food; loans; and gifts of cash.

2. Total Action Against Poverty and Head Start programs are organized to provide services to the children of low income families.

3. Welfare agencies are operated at the local level to assist people who have little or no other income. Such services include:

   a. General relief
   b. Aid to dependent children
   c. Emergency assistance to needy families
   d. Nursing home care
   e. Medical assistance
   f. Food programs

4. Opportunities Industrialization Center, Inc. (OIC) serves applicants who lack occupational skills and/or have received less than high school education. The service is divided into five areas: recruitment, counseling, pre-vocational education, job training, and job placement.

5. The Urban Renewal Agency works through local branches to provide low cost housing to the poor.

6. The Salvation Army gives emergency service for a short-term period in the form of utilities, food, clothing, furniture, rent, gas, or bus tickets. They do not give money. Other services often provided include: homes for unwed mothers; rehabilitation for alcoholic men;

family counseling; youth character building programs; women's home-making programs; shut-in and hospital visits; Christmas assistance; and summer camps.

7. The Work Incentive Program (WIN) places able-bodied aid recipients with dependent children in productive, permanent employment. To accomplish this goal, the client may require education and/or job training. This program is jointly sponsored by the Department of Labor and Department of Health, Education and Welfare.

Marital and Family Problems

When trouble develops between husband and wife, the collapse of family finances may be a first indication of strain on the marriage. One mate or the other, feeling rejected and unneeded, may go on a spending spree to get even.

Solutions

You may suggest marriage or family counseling. There are many services that offer free marital counseling.

a. Many ministers offer marriage guidance and counseling.
b. Family Service Association of America agencies offer counseling in the areas of personal, marital and family problems.
c. Mental Health clinics may also provide free counseling services.
d. If the budget allows, the client may prefer to see a private psychiatrist, psychologist, social worker, or counselor.
e. You should attempt to talk to both marriage partners and explain that upsetting the family finances can only hurt them both along with other family members. You may suggest a spending moratorium for three or four weeks while they pursue solutions to their marital difficulties.

Accidents, Repairs and Other Unforeseen Events

Fires, automobile accidents or breakdowns, and home repairs are just a few samples of the many unexpected, unplanned for situations that develop, putting a strain on the family finances. As you plan with the family to work out a budget, you should stress savings as a necessary item.

Solutions

1. Insurance against fire, accident, and other unforeseen events is the best protection and should be an integral part of the family spending plan.

2. Educate the clients in the scheduling of upkeep and replacement necessary to reduce the possibility of fire and other damage to the home. For example:

a. The average roof will last from 10 to 15 years.
b. Electrical wiring should be redone every 20 years.
c. Plumbing fixtures need to be replaced periodically, depending upon the quality and amount of use.
d. Insulation may greatly reduce heating bills.
e. Paint should be applied as often as needed to preserve the lumber but not so often as to cause piling up and peeling of paint.

3. Many adult education courses are available in home repairs, decorating, etc. These can provide necessary knowledge needed and will reduce home maintainence costs.

4. Inform clients on the advantages of checking cars periodically for malfunctions, which will keep the vehicle in safe, operating condition. Tires, oil, brakes and other essential parts should be checked regularly.

5. Sickness and accident insurance is the best financial protection against loss of income. The best insurance plan for a family is different in every case. A trusted broker, banker, or lawyer may be able to advise the client in order that he receive necessary coverage at minimum premium.

6. Urge every family to have a plan of escape in case of fire. The local fire department is anxious to help citizens plan the best escape route for their particular home situation.

7. In times of natural disaster, families may be left homeless and penniless. The American Red Cross, with chapters located throughout the country, offers disaster relief in many forms.

8. Churches may be able to assist with various relief services.

9. Local emergency state or local assistance may be available.

10. Project Repair type agencies are available in some communities.

Co-Signer Responsibility and Lawsuits

A client may find himself in debt through the placement of his signature on a note for a friend, relative, or business partner. The other party was not able to pay the note, therefore, it befell the client to make good the amount owed.

This is a legal matter and you should suggest that the client see his own lawyer or contact the Legal Aid Society in cases where the client may not be able to afford legal fees. The County Bar Association may be willing and able to assist. If your client does not qualify for legal aid and has no lawyer of his own, he may use the Lawyer's Referral Service at a fixed nominal fee for a half-hour consultation.

Wrong Doing by the Seller

There are many examples of wrong doing by sellers who are under pressure to increase the volume of their sales. A common practice among unethical salespeople is to obtain the customer's signature on what he thinks to be an innocent approval to negotiate further, when, in fact, it is a sales contract.

Solutions

1. Become acquainted with the provisions of the Federal Trade Commission regulation regarding wrong doing by salespeople and with any state regulation that oversees selling within that one state.

2. The Direct Selling Association (DSA) attempts to enforce a code of ethics that insures truthfulness and accuracy in practices of member companies.

3. Some companies may send unordered merchandise under the assumption that the recipient will pay for it rather than package the item and pay return postage. The F.T.C. has ruled that such merchandise sent through the U.S. mail without the consent of the recipient may be treated as a free gift.

Fetterman and Schiller (1976) have suggested ways to avoid being victimized by unfair sales practicies. They recommend the consumer beware of salespeople who:

a. offer something for nothing--it's never free
b. pressure you to buy today
c. ask you to sign anything before you read it
d. promise a free product if you supply the names of a certain number of friends
e. quote a price for service or merchandise that is too low to be realistic
f. ask if you have money with you to make your purchase

The knowledgeable consumer takes the time and energy to buy wisely. He reports deceptions and faulty merchandise.

Payment Misunderstandings

The average person has some difficulty understanding an installment payment contract and is often inclined to estimate payments on the retail price, unaware of the finance charges.

Possible items included in the finance charges are: credit investigation fees, interest fees, loan fees, lender's fees, service charges, and credit life insurance.

Solutions

1. The counselor should be acquainted with the provisions of the Truth-In-Lending Law and be qualified to educate clients in understanding credit costs and interpreting sales contracts.

2. Many clients assume that the money for financing a product must be obtained from the place of purchase, therefore, the counselor should encourage clients to shop for credit. Fetterman and Schiller (1976, pp. 42-43) state that a client should be sure he has the following information:

a. Total dollar amount of the finance charge
b. Date on which the finance charge begins to apply, if different from the date of the transaction
c. Annual percentage rate
d. Number, amounts and due dates of payments
e. Total of payments
f. Amount to be charged for any default, delinquincy, etc.
g. Description of the type of securities held, if any
h. Charge of prepayment of the principle
i. How rebates or refunds are calculated

3. You should help the client understand that when financing through the seller, he must be sure the contract contains the following:

a. Cash price
b. Down payment including the trade-in if there is one and the difference between the two
c. Other charges itemized that are included in the amount financed but may not be part of the finance charge
d. Unpaid balance
e. Amount deducted as prepaid finance charges or required deposit balance
f. Amount to be financed
g. Deferrment payment price-- sum of cash price, finance charge, and all other charges including the annual percentage rate

4. If a client feels that his legal rights have been violated, he may sue the seller who fails to make the required disclosures, or he may report the violation to the federal agency that enforces the Truth-In-Lending Law. The counselor should be able to furnish these addresses that are listed in Let the Buyer Be Aware by Fetterman and Schiller.

5. Some contracts may be broken if action is taken within 72 hours of the sales transaction, but legal counsel may be needed to insure client protection. Since it may take longer than 72 hours to obtain legal advice, the counselor should be aware of the provisions in the Truth-In-Lending Law. Written cancellations should be sent by registered, receipt request mail or telegram.

Death of a Family Member

During a time of grief and shock, an unethical funeral director may manage to obtain a family signature on a contract involving unreasonable funeral expenses.

Solutions

1. The financial plans of every family should include a provision for funeral expenses in the case of the sudden and unexpected death of a family member. Shopping for the most satisfactory services ideally should be done before the need for such services arises. Fetterman (1976, p. 204) suggests the following points be considered:

a. Is the funeral home reliable? Has previous service to your friends or family been satisfactory?
b. What is the least expensive service available? Are any additional items worth the increased expense?
c. First find out how much the casket, funeral service, and other charges will cost before disclosing insurance, pension, or government death benefits due the family of the deceased.
d. Ask what is included in "one price includes everything". Get specific information about goods and services that may result in an extra charge; notification of newspapers, for example.
e. Find out if there are local laws requiring a casket for burial or cremation of the body.
f. Determine whether local laws require a vault in which a casket is to be placed. Often this is required by the cemetery.
g. What additional costs are involved for the cemetery plot and grave marker?

It is important to understand that 1 there are a variety of choices available in funeral arrangements_ 2. information on funeral prices is available, but must be aggressively sought out by price-conscious consumers; 3) funeral prices vary substantially, and inexpensive funerals can be arranged.

2. Encourage your client to preplan his own funeral in order to prevent exhorbitant fees that may plunge the family into debt Such a letter of last instruction should be left with the family attorney or the executor of the estate, along with the will of the person involved. Fetterman and Schiller (1976, p. 204) suggest that such a preplan should include the following:

about funeral and burial; exact location of the will; location of all documents-- birth certificate, social security card, marriage/divorce papers, discharge papers, auto registration, etc.; lodge or fraternal membership certificates providing death or cemetery benefits; information on outstanding debts and monies owed you; location of all safe deposit boxes and keys; list of location of insurance policies and their numbers; pension statements and records concerning death benefits; list and location of all bank accounts, stocks, bonds, real estate, and other property; also facts and papers needed to sell your house and other property; list of various advisors, their addresses and telephone numbers (lawyers, executor of estate, accountant, investment counselor, etc.); instructions concerning business, if any; father and mother's name.

3. Some type of insurance to cover funeral costs is a part of the insurance packet that is needed by every individual. Become acquainted with the types of coverage available in your locality, and you will then be able to advise your clients accordingly.

Summary

This chapter has dealt with the probable causes of credit overextension. In each case, some suggestions are given for action by the credit counselor. The more knowledgeable you are concerning the services within the local community, the more able you will be to assist your clients.

Every year in America the government allocates an increasing amount of funds to be spent for human services. There is no area of human need that is not the concern of one or another of the commissions and associations functioning for the government on behalf of citizens. The problem, in many instances, is knowing how to make contact with the appropriate group. Make an effort to become thoroughly informed about the services available that may benefit your clients.

CHAPTER III

FINANCIAL COUNSELING TECHNIQUES[1]

Financial counseling is (a) a process in which (b) a trained individual (c) utilizes appropriate resources (d) to assist the client in achieving immediate and/or long-range monetary-related goals (e) according to mutually agreeable guidelines. Each element is this definition will be briefly addressed.

First, FINANCIAL COUNSELING IS A PROCESS. It is a process which may take place on only one occasion or over a series of meetings, depending on the client's concerns and the motivation to work toward a change of behavior. Sometimes the client needs simple information, such as where to go to obtain a temporary loan or how to consolidate debts. In such situations, the client may have a financial problems related to attitides, values or patterns of behavior which are not easily changed. This kind of behavior, the idea of "keeping up with the Joneses," is something the person has spent a lifetime learning and practicing. Changes in the way one thinkgs, feels, or acts in relations to monetary behavior patterns will likely take some period of time.

A second element in the definition is that the COUNSELOR IS A TRAINED INDIVIDUAL. This means that the counselor has specific and general knowledge about people, finances, credit, and resources which may be of help to the client. However, to be able to use this knowledge effectively, the counselor must discover enough information about the client to know what might work, when to apply certain guidelines, and how the client might respond to certain suggestions. Without an adequate degree of knowledge about the client, too much advice can "turn him off."

Third, THE COUNSELOR UTILIZES APPROPRIATE RESOURCES. This means that the counselor does not limit contact merely to those between himself and the client. Rather, he takes advantage of personal and professional contacts between himself and many other community resources; people, institutions, agencies, or other services, in order to coordinate all available assistance on behalf of the client. Some resources might consist of helping agencies such as health and welfare services; courts and other legal aid groups; employment agencies; financial institutions; community mental health services; emergency assistance organization, and others. The financial counselor serves as a coordinator of these resources and consults with other professionals when appropriate.

Fourth, the counselor ASSISTS THE CLIENT IN ACHIEVING IMMEDIATE AND/OR LONG-RANGE MONETARY-RELATED GOALS. There are several important aspects to this. Perhaps the first thing to be accomplished is to assist with immediate concerns. One cannot run until he learns to walk; one cannot engaged in wise spending habits unless he knows what these are. Usualy, until a crisis is over, the counselor cannot work effectively

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[1]This chapter was contributed by David E. Hutchins, Ph.D., Career Counseling and Student Personnel, Virginia Polytechnic Institute and State University.

in helping people plan for the future. If the rent is due and the client is threatened with eviction, the electicity has been turned off, appliances or furniture about to be repossed, or if there is no food to eat, these are crises which will almost totally occupy the client's thinking until they are resolved. Therefore, it is essential to determine what the client's priorities are: what immediate steps need to be taken; what longer range action needs to be taken? The counselor works with the client in determining both goals and procedures which will be undertaken in order to achieve immediate and long-range objectives.

Regarding long-range monetary-related goals, the implication here is that an important aspect of the financial counselor's job is to help people learn and initiate the kinds of planning which will keep them from getting into financial trouble in the future. This is a positive planning phase of the counselor's job. Long-range planning is related to the crisis phase; the person needs to know how he got into certain kinds of "jams" in the past in order to know how to avoid them in the future. Therefore, if a client initially seeks help due to a crisis situation, it is wise for the financial counselor to explore the potential longer-range implications of the client's situation. The primary objective of the longer-range exploration is to assist the client in learning the kinds of behavior which will allow him to avoid problems and to increase his financial flexibility in order to take advantage of options in the future.

Finally, FINANCIAL COUNSELING IS DONE ACCORDING TO MUTUALLY AGREEABLE GUIDELINES. In order to resolve the client's concerns, it is usually best if both the counselor and client agree on what is to be done (goals), and how it will be done (procedures). This suggests that the counselor will not immediately offer advice to the client, "I think you should do these things." Rather, the counselor will take the time necessary to first find out how the client thinks, feels, and acts in relation to the financial concerns and outcomes the client desires. The advantage in taking this additional step is that, ultimately, it is the client's behavior which will resolve the situation. Therefore, it is advisable to involve the client in a consideration of both goals and objectives. The suggestions that counselor may make will be more likely to fit the client's situation.

Important Aspects of the Actual Interview

A good interview consists of many elements. Some of these elements relate to good interpersonal relations (being human, treating the client with respect, remaining objective, etc.) whereas others involve specific things the counselor should do to familiarize himself with the client in order that he may eventually help the client resolve his financial difficulties.

Structuring the Interview

Upon meeting the client, greet him and help make him feel as comfortable as possible. Several elements of structuring the interview are outlined below.

1. What is the role of the counselor? The client who comes to see the financial counselor for the first time may not have a very good idea about what to expect. The counselor should not make assumptions about what the client might know or be able to do. Therefore, assist the client in learning what he can expect from you the counselor. For example, you might say,

> *"I'm here to help people work out some ways to get out of a "jam" that relates to finances. Sometimes people need help in getting through some tight spots, obtaining additional credit, paying off certain expenses, or taking a look at their spending habits in order to avoid getting into trouble in the future."*

The example above gives the client a kind of "smorgasbord" layout of some of the kinds of things a financial counselor is able to do. At an appropriate time in the interview, the counselor might detail some other actions that can be taken.

2. What is the role of the client? Some clients may have some inappropriate ideas about what to expect from the financial counselor. Their ideas may have come from reading, the media or some other source. Therefore, it is useful for the counselor to find out what the client's expectations are. The following illustrates two possible ways to begin:

"Tell me what I can do for you."
or
"What brings you here to see me today?"

3. What kinds of actions will be taken? More often than not, some statement the counselor makes will combine aspects of his role with that of the client. You might say,

"One of the things I can do is to contact creditors and let them know you are working to pay off your obligations."

This example illustrates part of what the counselor will do involving action to be taken outside the counseling interview. Another example might be a statement which lets the client know that certain kinds of behavior will be expected of the client outside the interview setting such as,

"During the week you will be keeping track of everything you thought you wanted to buy and writing down how much these items cost. Then, next week when we meet we can take a look at this along with other things you would like to talk about."

This example is designed so that the client will be writing down certain behaviors related to his concern of "impulsive" buying and that this will be one of the things reviewed at the next interview. Both examples illustrate how the counselor clarifies some of the actions which can be taken involving both the counselor and client.

4. What is the time frame for the session? Structuring the time limits of the interview is also important. Evidence indicates that if the client knows how much time there is, that he will "get his concerns out" during this period, whereas if no limits are put on the time available, there may be more irrelevant or "small talk" occuring than necessary. Time limits for one meeting with the client may be expressed very simply,

"Today we have an hour and one half we can meet ... Where would you like to start?"

In summary, structuring is a way of letting the client know what to expect from the counseling interview in addition to knowing the actions which will be taken in and outside the interview and the time limits of each meeting.

Asking Appropriate Questions

There are two basic kinds of questions to be asked: open and closed. Each kind of question results in a different kind of response from the client. An open question is designed to invite the client to talk and furnish more information, and cannot be answered with a yes or no response. Such questions begin with such interrogatories as what, where, who, when and how. Examples are:

"What brings you here today
"Where do you buy your groceries?"
"When did you first begin this impulse buying?"

"Who could you contact about getting a job?"
"How do you think others in your family would react to this?"

The client cannot give only a yes or no response; he must furnish more specific information. Usually there is no problem with a verbal client. Such persons may go "on and on" talking and you may have a problem limiting themselves to the subject at hand. However, with a relatively shy or quiet client, asking open questions is essential to obtain information so that the counselor has a better idea of what the client's lifestyle, values and problems are.

Closed questions are those which CAN BE asnwered with either a yes or no response. Such as:

"Do you shop for specials listed in the local newspaper?"
"Have you ever met with a credit counselor before?"
"Do you have any other debts besides those listed on this sheet?"
"Does your wife/husband work outside the home?"
"Are you saving money for emergencies?"

Closed questions such as these are helpful in pinpointing specific kinds of information the counselor needs to know in order to assist the client. Keep in mind, however, that if the client tends to be hesitant or shy in talking, by asking mainly closed questions, the counselor risks receiving yes or no responses.

Both open and closed questions are appropriate and necessary in the counseling interview. However, the counselor should be aware of the kinds of response the client is likely to give when both types of questions are asked.

Systematic Inquiry

Systematic inquiry is an orderly process of gathering information which results in the acquisition of more useful data. If the counselor tends to skip from one subject to another, a rather confused set of facts may appear. Systematic inquiry is like following an outline with questions grouped in an orderly process. As an example, suppose the counselor wants to gain more information on the client's shopping habits. The line of inquiry might follow like this:

How does the client do his shopping (Major topic)
a. *Does the client shop all at once or shop just whenever he needs one or two particular items?*
b. *Where does the client shop?*
   1. *Convenience stores (One-Stop, 7-11, Hop-In, etc.)*
   2. *Large volume stores (Kroger, Woolco, K-Mart, etc)*
c. *Does the client know in advance what he needs to purchase or does he tend to pick up what looks, sounds and smells good? Does he:*
   1. *buy on impulse*
   2. *happen to be "in the area"*
   3. *wants something to do*
   4. *make out a list of needs and shops from the list*
d. *To what extent does the client plan ahead in making purchases? Does he:*

1. *Buy because an item is needed now and therefore he purchases a small amount. This is usually more expensive.*
2. *Watch for seasons kinds of specials then stock up on regularly used items?*
3. *Use newspaper clipping and coupons for additional savings on particular items.*

This line of inquiry illustrates the method the counselor might use to question the client on his shopping practices. There are more types of questions which may be essential to ask, and these may surface as more facts are revealed. The important things for the counselor to try to understand is how the client thinks, feels and acts in relation to various topics. For this discussion, the main point is that by following a logical (outline) formula in asking questions, the counselor is likely to obtain much more useful information.

Logically, if only one or two specific items need to be determined on a given topic, it is not necessary to pursue it in more detail. However, more topics will come up about which the counselor needs to find more information. After reading each of the following questions, try to think of at least three additional questions the counselor could ask which would be closely related to the same topic.

"What is your responsibility in grocery shopping?"
"What do you typically do when you get some cash?"
"How do you feel about borrowing money each month?"
"What makes you feel the worse about your financial situation?"
"Where could you start to make some 'cuts' in your spending?"
"What kinds of things do you now have in your home which are really not necessary?
"How do you view the idea of saving a certain part of your earnings each month?"

In using systematic inquiry, both open and closed questions are asked. The counselor, who must remain flexible in questionning, "checks out" the client on a particular topic before moving on to a different subject.

Active Listening and the Effective Use of Silence

Active listening involves two elements: listening to WHAT the client says and HOW he says what he does. Listening to WHAT the client says is perhaps the easier of the two to do in most counseling situations.

Practice listening to what others say by trying this exercise. Select a person who agrees to help you. Tell this person that after every statement he makes, you will try to repeat as accurately as possible exactly what he said. A variation of this is to have your partner talk for about two minutes, telling you some things about himself. Then, you try to tell him the essence of what he said in one minute. Then, ask your partner for some feedback; what things did you leave out? You might even tape record your interaction and listen to the recording after you have tried to repeat what the client said.

One of the reasons active listening tends to be a difficult exercise, is that we sometimes only half listen to what other say, while we begin

rehearsing what we are going to say before the other has finished talking. This tendence to want to "get our own two-cents-worth in" leads us to miss much of what the other person, or in the case of the counselor, what the client is saying.

One way to practice listening to everything the client says is to start a conversation with a friend where you explain that you will wait at least five seconds after he has finished a statement before you will say anything. Notice what other things happen: Does the client sometimes go on to fill in more information on his own? Are you listening more carefully?

The other element of active listening is being aware of HOW the client says what he does. The how part of listening includes two parts: verbal and non-verbal. The verbal aspects are related to the rate of talk (slow vs. fast), the pitch (low vs. high) and the mood (depressed vs. excited, angry vs. pleasant). These verbal elements give the counselor clues as to how the client feels. Such clues can be further determined by closely observing the non-verbal aspects of the client's behavior. Does he look at the counselor or avoid eye contact? How does he hold his head, arms, hands, shoulders, and legs. The non-verbal and verbal things give us valuable insights to utilize in assessing the client. They can help us arrive at answers to such questions as:

Does the client really care about his situation?
Is the client interested in finding out more than how to get out of the immediate situation?
Am I (the counselor) understanding the client's situation or does he seem puzzled by what I just said?
How commited is the client to changing certain spending habits?

Reflection

Reflection, in this context, means MIRRORING TO THE CLIENT the essence of what is said in a way which also conveys how it is said. It is one thing to communicate to the client that you understand he has had some hard luck, and quite another thing to convey the fact you understand how his financial "jam"makes him feel "uptight", irrirated, or depressed. Two examples follow and in the first the counselor responds only to what the client has said; the second example illustrates the counselor's understanding of both what the client said and the feelings that were expressed.

"Those bills you owe at the end of the month are pretty steep."
"The end-of-the-month bills really scare you."

When the counselor can reflect the essence of what is said and how it is said, he communicates to the client that he understands. In turn, this gives the clients a greater feeling of trust in the counselor. The counselor demonstrates that he has truly listened to the client by mirroring the essence of the client's verbal and non-verbal communication. In the field of financial counseling, this process is called empathy.

For a number of people, merely relating one's situation to another person who actively listens, can be helpful. In many cases, the client has never really expressed his concerns to another caring person. Sometimes, just getting the concern "off his chest" can be helpful in clarifying the situation and allowing the client to see things in a different way than ever before.

Up to this point, the very basics of the counseling process have included the following: structuring the interview--counselor and client roles, time and action limits; asking appropriate open and closed questions in order to invite the client to talk or pinpoint specific information; systematic inquiry in order to acquire information in an orderly manner; active listening to what is said and how it is said; and reflection or mirroring to the client the essence of the client's concern. These are the primary building blocks on which the rest of the counseling process depends, since they are used throughout the entire interview or series of interviews.

Counseling is an action-oriented process. Not only does the counselor use his skills to try to understand the client's concern, but he also actively engaged in helping the client resolve his concerns. Since counseling deals with helping the client change behavior (how the client thinks feels, and/or acts), the counselor utilizes his knowledge of the interrelationship between thinking, feeling, and acting, in order to help the client to work out ways of resolving concerns which lead the client to behave in specific ways.

Therefore, the counseling process assists clients in changing appopriate aspects of thinking, feeling, or acting in relation to financial concerns. The following example illustrates the close relationship between thinking, feeling and acting.

A person feels rather "low". He thinks to himself, "I'll buy (an act) something new that will help me feel better." The act of buying something makes him temporarily feel better, until the bill comes at the end of the month when the client again feels terrible because he thinks, "How am I ever going to pay for my purchase?" This cycle keeps repeating itself. The close relationship between how a person thinks, feels and acts is apparent.

The action part of the counseling begins when the client walks in to see the counselor. The counselor's first responsibility is attempting to understand what the client's concern is and how this unique person thinks, feels, and acts.

How is the client's behavior related to financial matters? All the relationship skills mentioned earlier are used throughout the counseling process in attempting to understand the client and his concerns.

It should be mentioned that not all clients need counseling. Some persons clearly need information or advice. How can I get a loan? Is there a way I can get enough groceries to feed my family? How can I get the heat turned back on in my house? If the client simply needs information, give it to him.

In trying to understand the client's concerns, the counselor must determine what factors have a direct or indirect relationship to the primary concern. The variety of topics which may be related are:

Is the client's concern immediate or long term?
How does the client's job situation affect finances?
How do other members of the family affect the financial picture?
In what ways could family members be used to help prevent similar problems from occurring in the future?
What are the client's values relating to spending money, having new things, obtaining status symbols, projecting masculinity, femininity, etc.?
What functions does money serve for the client: status, pleasure, compensation, etc?

These questions illustrate some of the related variables about which the counselor may need to know in order to assist the client.

Conceptualizing Client Concerns

Usually during the first part of the interview (15-30 minutes), the counselor assists the client in trying to pinpoint major concerns. This may be done in several ways:

"During the last twenty minutes, you've told me some things about your family, job, and things you like to do; how do you feel these things relate to something with which I can help you?"

or

"What, specifically, is your most immediate concern?"

or

"From what you've been saying, I get the impression that you'd like to get out of this jam between now and the

end of the month and then work on setting up a budget so you can avoid this same kind of thing in the future. Is that how you view your situation?"

The critical element in conceptualizing the client's concern is to pinpoint as clearly as possible the reason (s) why the client seeks help. With a clear understanding of the client's concerns, the counselor and client can then proceed in setting up some goals which will resolve the concerns.

Establishing Realistic and Achievable Goals

Understanding the client's concern is only the beginning of the counseling process. Once the concern has been clearly stated, both the counselor and the client must decide what to do about it. What kind (s) of goal (s) would result in eliminating or reducing the concern? For example,

A concern might be: client never has enough money to last until the end of the month.

The immediate goal is: arrange a temporary loan so the client and his family can avoid having the heat turned off in their home. The long-range goal becomes: counseling the client on more effective money management practices.

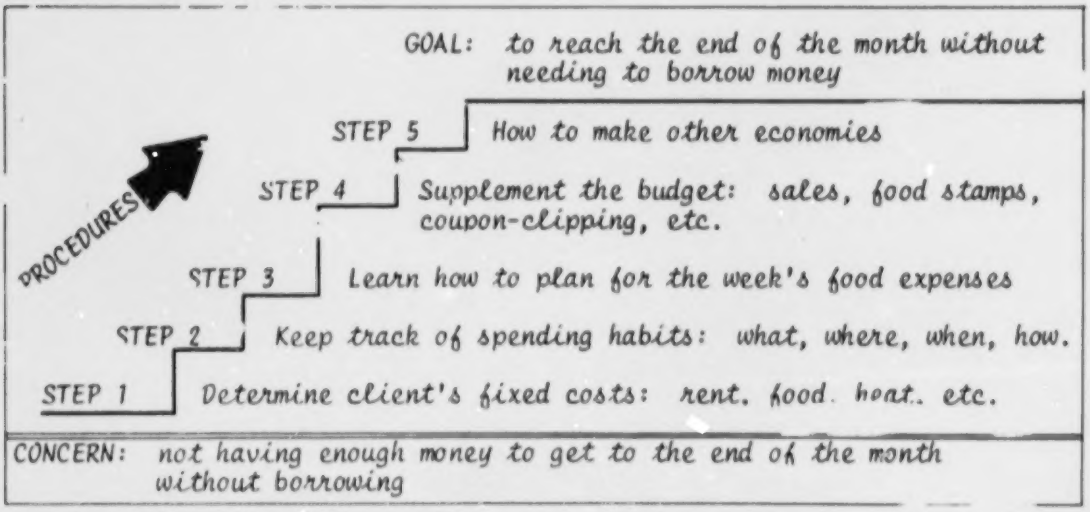
The goals may be stated in general terms to begin with, and then narrowed down into more specific sub-goals. For example, the long-range goal above, might have sub-goals such as (1) learning to set up a budget, (2) learning to save money by shopping wisely, and (3) helping all members of the family become more aware of the family financial situation: what it is and how the money is allocated.

Three important aspects in setting financial goals are that they must be specific, realistic and achievable for the client and his situation. It is one thing to "wish" for baskets of money being available, and quite another to try to provide for a family of five on $362.50 per month. If the goals are not realistic, they are not worth setting up.

Designing Effective Procedures

Once goals have been established, procedures need to be designed to assist the client in achieving goals. Procedures should be designed so the client will do first things first on a step-by-step basis in order that goals will eventually be achieved. The process looks like a set of stairs with the easiest things to be done first, before going on to the next step. As an example, let us assume that the client's concern is not having enough money to last until the end of the month without borrowing; therefore, the goal of financial counseling is to reach the end of the month without needing to borrow money. The process might consist of a set of steps such as illustrated.

Procedures, strategies and methods of the client's financial counseling program are decided upon with the client. This will enable him to use the money he had in such a manner that in the future, he will ultimately become more self-reliant. It is important to design procedures so the client performs first things first. By successfully achieving the first steps, the client is likely to become increasingly motivated and will continue to work on other steps leading to ultimate goal achievement. As the example below illustrates, step one is to determine what kinds of fixed costs the client is likely to have each month, such as rent, food, heat, electricity, and other kinds of regular expenses. Step two is to keep track of spending habits by writing down what is spent, where it is spent, when the spending occurs, and how the person (s) spent the money.


GOAL: to reach the end of the month without needing to borrow money
STEP 5
How to make other economies
STEP 4
Supplement the budget: sales, food stamps, coupon-clipping, etc.
PROCEDURES
STEP 3
Learn how to plan for the week's food expenses
STEP 2
Keep track of spending habits: what, where, when, how.
STEP 1
Determine client's fixed costs: rent, food, heat, etc.
CONCERN: not having enough money to get to the end of the month without borrowing

This step should serve to make the client even more aware of "where the money goes." Step three is to learn how to plan for weekly food expenses. Step four is learning how to supplement the typical budget by taking advantage of special sales, food stamps, newspaper and magazine coupons, etc. Finally, the counselor and client work out a procedure to take advantage of other economies which might be made in the client's situation, such as job-related benefits, medical expenses, temporary loans to take advantage of special savings, and others.

The steps involved in designing effective procedures are as varied as the client. It is important for the counselor to work with the client in designing the appropriate steps which are actually carried out by the client. Situations may occur where the novice counselor will become the "expert: without closely consulting the client. In such situation, there may be various elaborate procedures set up, but they will not function for the client, because he does not operate in ways which are necessary to achieve the goals. The counselor may ask questions related to the client's situation such as: "What would you think about (a particular topic)?" Or, "How would you go about (doing a particular thing)?" Questions such as those help the

counselor to see things more clearly in terms of the client and to see possible events which may assist or prevent action from being taken.

Sometimes the "smallest little thing" for one person may be a major obstacle for others. For example, if the client really needs to talk to another member of the family about his role in the financial picture, but doesn't quite know how to approach this individual, chances are good that the client will never really find the time to do what he needs to do. However, the alert counselor will sense the client's hesitancy and will assist the client in learning how to talk with others in a positive manner.

Values and Behavior Change

It is necessary to relate the client's values to the financial counseling process. Values may correspond to all aspects of life, from one's job to how he spends leisure time to how he sees himself as an individual The beliefs one has about money are extremely important and must be defined. The role of money in the client's life may relate to his concept of masculinity, or femininity, or loving and caring. For example, the client may associate spending of money with love for others, thinking that lavish spending is one way of demonstrating success in life. The age-old idea of "keeping up with the Joneses" is a value held by some people which literally drives them to make purchases of things which will demonstrate to themselves and others that they are successful,

The client has spent a lifetime acquiring the values he has, therefore, changing attitudes and values is not an easy thing to do. However, without an awareness of the client's values, the counseling process will likely be missing one of the critical elements which is important for the counselor to know about and deal with. By using the techniques discussed earlier in this chapter, the counselor can assist the client in arriving at a better understanding of his financial situation and how his values relate to his behavior. In the counseling process, it is ultimately the client who has to decide what he will do. The counselor helps to clarify the situation, using his knowledge and expertise to assist where possible. In the final analysis, however, the client must be commited to do the things necessary to change behavior if counseling is to be successful.

Termination, Evaluation and Follow-Up

The financial counseling process will terminate in one of two ways: either the client does not show up for an appointment or counseling goals are achieved. Both the counselor and client will recognize when the goals have been achieved because they have been specified in the beginning and they will be reflected in in how the client thinks, feels, and/or acts. In the financial counseling process, the counselor will frequently see the client only on one or two occasions because the client's needs are temporary and specificand can be resolved in a short period of time.

It is desirable when concluding the interview to leave the door open for future contact by inviting the client to take advantage of the counseling service when the need arises. You might say:

> *"Please feel welcome to stop by again if I can be of assistance to you."*
>
> *or*
>
> *"I'd like to follow your progress in managing your new budget. How would you feel about setting up another meeting in about three weeks so we can check up on how things are going?"*

In the second example. the counselor is suggesting that a follow-up on how the client is progressing would be desirable, and he is suggesting a specific time period (three weeks) during which the client might wish to set up another interview. Follow-up is especially important with more long-term goals, since there are apt to be a number of specific behavior patterns the client will be trying to change. By contacting the counselor for a follow-up interview, progress will be assessed and changes initiated which will help the client toward continued progress and responsible fiscal management. In retrospect, the counselor is able to use the follow-up interview as a record of his counseling , or situations incurred and final results attained.

Evaluation (mentioned more thorougly elsewhere in this manual) is merely keeping a record of events that occur during the counseling process. It is important for several reasons; first, the counselor can become more aware of (a) the kinds of clients seen (b) problems or concerns of the clients (c) methods of assistance clients obtained, and (d) the extent to which clients were successful in achieving the financial counseling goals. Secondly, the counselor can use, in an educational and informational method, such data in order to support the kinds of activities desirable for the financial counseling operation to offer in the future.

CHAPTER IV

DECISION MAKING[2]

There are two major stages in decision making: anticipation and implementation. The first of these stages (anticipation) involves exploring and fantasizing, and the second stage (implementation) involves considering and stabilizing alternatives. It is during the second stage that decisions are made.

When one looks at the decision making process in relation to financial counseling, the problems become apparent. Specifically, the types of decision are determined by the client's position in the anticipation state. For example, your client may view shopping as a form of relaxation and/or recreation. In such a case as this, your first task will be to open new options, and the second task will be to assist your client in understanding why he behaves as he does about spending money. In other words, you help your client to change the context in which he lives, so that he becomes aware of a number of choices open to him, along with the possibility of implementing them.

In order to accomplish these tasks, you will need a framework to guide the client in determining where he is in terms of the financial decisions that he will need to make. The following exercise will help the client make this determination. Ask your client to place an X on each line to indicate where he thinks he is at present in regard to his financial situation.

[2]This chapter was contributed by Dr. Ruth Harris and Gerry Garner, Virginia Polytechnic Insitute and State University.

Decision Making Exercise

I am undecided as to how to resolve my financial problems	1 2 3 4 5 6 7 8 9 10	I am decided as to how to resolve my financial problems
I have spent no time thinking about this	1 2 3 4 5 6 7 8 9 10	I have spent a lot of time thinking about this
I have spent no time talking with anyone else about this	1 2 3 4 5 6 7 8 9 10	I have spent much time talking with someone else about this
I don't need any help at this time on deciding how to handle my financial matters	1 2 3 4 5 6 7 8 9 10	I need a lot of help at this time deciding how to handle my financial matters
Making decisions about my personal finances is not my most important problem	1 2 3 4 5 6 7 8 9 10	Making decisions about my personal finances is my most important problem
I have a lot of time to make decisions about my finances	1 2 3 4 5 6 7 8 9 10	I have nearly run out of time to make decisions about my finances
Money doesn't have much impact on my life style	1 2 3 4 5 6 7 8 9 10	Money has everything to do with my life style
I worry about my financial matters	1 2 3 4 5 6 7 8 9 10	I am not concerned about my financial matters at this point in my life
Spending money is fun	1 2 3 4 5 6 7 8 9 10	Spending money is hard

Once your client analyzes his feeling about his personal financial matters, he will need to identify specific goals and objectives. A process which provides a framework that you may find helpful in assisting your client to "think through" financial decisions consists of eight steps.

I. Identify the Problem to be Solved

The various reasons why an individual or family may become over-extended in their financial matters have been discussed in an earlier chapter. Before any preventative action can be taken, you, his counselor, must help the client to identify his particular problem in this area. The following process will help the client with this task:

1. List five problems you have in handling money.
2. Select one problem area and continue with step 3.
3. List effects of this problem on you and how it affects those around you.
4. List what you are currently doing to deal with this problem.
5. List several causes, as you see them, of this problem.
6. List several solutions (action steps) you might take in resolving this problem.

II. Gather Information

At this point, your client is ready to gather information on the tentative solutions. Therefore, it is necessary to rank these possible solutions from most acceptable to least acceptable.

This is the probing stage. The client is asking the "why?" "how?" "when?" type of questions with your help. To answer these questions, you will need access to many resources.

It should be stressed that one of the primary purposes of financial counseling is to help your client become self-reliant in his financial matters. Therefore, you must resist the temptation to provide all the answers but encourage your clients to seek information on their won.

III. Enumerate Several Courses of Action

Once your client has explored, identified, and researched the available alternatives, the next is to arrange them in priority order. At this point, it is helpful to compare this list of most acceptable and least acceptable solutions. Quite often the lists change after the fact finding exercise. This provides valuable insight for the client and reinforces the need for the process.

IV. Predict Consequences of Each Alternative

Now that the client has developed a list of possible solutions, further scrutiny is necessary. The client should now develop "pros" and "cons" lists for each alternative. In other words, an attempt should be made to identify advantages and disadvantages of each solution.

As the client analyzes these lists, careful attention should be paid to any value conflicts that may occur. For example, a second job or moonlighting might appear as a possible solution and it may bring in the needed cash. However, the client has stated that family activities in the evening are very important. This value conflict must be resolved before any action steps can be taken to implement the proposed solution.

V. Select Best Alternative

When value conflicts are resolved, either in favor of the solution or against it, the task becomes one of selecting the best alternative. The choice should be an educated one, based on individual values and needs, the available resources, and on the consequences of the particular action.

VI. Identify Action Steps

Now that a solution has been identified as being the best, it becomes necessary to implement it. Solutions, by their nature, are vague. For example, "I am going to save X number of dollars," or "I am going to get a better job," or "I am going to include my children in the financial planning," etc. Therefore, the client needs to identify very specific "action steps" to be taken in order to implement the solution. There is a definite danger in imitting this phrase. Specifically, the client probably will not implement the solution, and thereby not reach the goal he has set. This can result in a sense of failure and disillusionment not only with the counseling process, but also with the client's self image. Therefore, it is imperative that action steps be outlined carefully and conclusively.

VII. Carry Out the Plan of Action

Once the action steps are identified, your client needs to arrange them in order. This essentially becomes the plan of action as the client agrees to start with step one and proceed through the next step. In some instances, you and your client may want to agree on a timetable for completing each step. If not, it is recommended that a timetable be established for full implementation of the solution. This should be agreed upon by you and your client before step one is taken.

VIII. Evaluation

The established timetable becomes the framework for evaluating the results of actions taken. Future sessions may be scheduled with the client to check progress, reassess the plan of action and/or plan new courses of action.

Simply stated, you are teaching a process. Once it is learned, your client may use it over and over again on a wide variety of decisions that need to be made.

Summary

A client's understanding of why he has financial problems is crucial to eliminating those problems. If he is aware of the decisions he makes and is able to identify other alternatives, he has taken the first step toward a more secure financial position. The counselor's task is one of helping the client identify decisions he makes and problems associated with them, gathering information on tentative solutions, evaluating the alternative solutions, selecting the best alternative, identifying specific actions necessary to implement the solution, completing the action, and evaluating the outcome.

CHAPTER V

BUDGETING AND MONEY MANAGEMENT

Overindebtedness disrupts families and may even lead to loss of employement. The erosion of family income due to heavy debts is a common problem even though garnishment may never become necessary.

No system of money management will quickly and permanently eliminate the financial problems of individuals heavily in debt. However, a well thought-out and practical budget can enable such individuals to eventually surmount financial problems. In other words, to people who have over-extended their credit, a budget is a planning tool, a control mechanism, and a record of expenditures.

A principal reason people loose control over their personal finances is their failure to make realistic plans for the future. Budgeting assists them in planning ahead.

Consider these four key elements when assisting your clients in the development of a financial plan:

1. The budget must be tailored to each individual client.

2. The budget should be the joint effort of a married couple.

3. The budget should provide a personal allowance for each member of the household, with each person participating in the determination of his or her allowance.

4. The records should be kept simple.

A realistic budget shows specifically how much money you earn, how much is being spent, and how much you can afford to spend.

In actuality, there is no "average" budget. A workable budget is one that is simple, flexible, and helps each client achieve individual goals. Therefore, the purposes of the budgeting plan are: 1) to outline objectives; 2) to schedule action; 3) to set boundaries and limits. Developing a family budget that meets major needs and wants, and aids in the control of spending, is a "must" for those persons who are already over-extended. The following process is helpful in developing a budget.

I. Determining Values and Goals

The manner in which people spend money identifies their lifestyle: the way they live, dress, travel, eat, etc. These factors, in turn, are determined by your client's values, goals, needs, wants, and resources. One family may have a preference for entertaining, and another a preference for clothes, or they may consider a new television more important than a dishwasher.

In other words, the client's lifestyle is a function of how he or she uses the resources available. It is your responsibility to assist the client in recognizing a personally satisfying lifestyle by examining his values, goals needs, wants and resources.

Values may be defined as the feeling or beliefs we have about certain things. Values are affected by family, friends, customs, and institutional experiences such as school, work, military service and others. In addition, values influence the manner in which decisions are made and carried out. In other words, a person's values relate to all aspects of his or her life.

As counselor, your primary concern will be the client's economic values, although it is not easy to isolate them. Difficulty arises when the client is unable to clearly define his values.

Understanding personal values is important. When clients know what they want and why, it provides direction and helps them determine how to use money and other resources.

In addition, the client's identity of personal goals is necessary in mapping out a financial budget. What are goals? Specifically, they are the targets toward which we aim. Goals will affect the client's choices in the market place.

The following are some questions you might ask your client:

1. What do you want out of life?
2. What are your dreams?
3. What makes you happy?
4. What do you want to accomplish?

The achievment of goals should serve as a reward to the client, therefore, a financial plan can help the client see where to make adjustments in order that goals can be achieved. The client must determine whether he will need immediate gratification to sustain the overall plan, or if he can wait for the attainment of long-range goals. In the case of the former, he should be urged to identify goals that can be accomplished along the way.

A valuable point to keep in mind is that values and goals are not static. They change with time and progression to different lifestyles.

Needs and wants also help define goals for clients. Needs are distinguished from wants in that they are essential to the family. Wants are what the family believes would be "nice to have" and would give additional pleasure and satisfaction. These two factors are interrelated because the way in which one fills needs is affected by the wants associated with them. Some typical needs and wants are listed. Many persons need help in re-establishing priorities and separating needs from wants, and often a "want" , once acquired, becomes a "need."

Some Typical Needs and Wants

Needs	Wants
Nourishing food	Soda pop, gum, candy, snack foods
Comfortable safe housing	Modern furniture, new home
Efficient running car	New model car
Warm clothing	Latest style clothing

When working with client, you may find it a useful exercise to have them identify their needs and wants. After an exhaustive list is developed, the clients may rank each in order of importance. Because time will change the perceived importance of some items, clients should adjust their list by adding and subtracting items.

Resources and their use are key elements in achieving a satisfying lifestyle. Therefore, resources are not only financial but also environmental. Specifically, resources include health, knowledge, people, aptitude, skills, and interests in addition to money and possessions.

After determining the extend ot these resources, the counselor might ask:

1. How will natural resources be used?
2. Are uses compatible with the lifestyle?
3. Are values in keeping with the overall social needs?

II. Develop the Budget

Estimating income is helpful and involves accounting for all monies received, including wages, interest, dividents, rent, commission and/or other resources. Your client will need to deduct social security, hospitalization, income tax withholdings, retirement, etc. , in order to arrive at his actual take-home pay. This will then be totalled with other sources of money to arrive at the client's total income. Subtract all personal income taxes that will become due during the year, thus obtaining the client's net income. Finally, the client will divide the net income by 12 in order to determine the client's monthly income - since rent, utilities, house and car payment, installments payments and others are ususally due monthly.

The next step is to estimate expenses. In other words, the client lists exactly what is owed. There are two classiciations:

a. fixed expenses
b. variable expenses

A fixed expense is one that occurs on a regular basis and is not usually altered (mortgage payments, rent, car payments,). A variable expense is one that is adjustable; it can be increased or decreased depending upon the financial situation of the family. For example, expenditires for food and clothing are variable expenses since the family can exercise a certain amount of control over what is actually spent.

At this point, the trial spending plan is developed. It is an outline showing how the client anticipates spending his net income. However, before listing income and expenditures on a budget form, determine the type of balance sheet to be used; either a form set up on a monthly basis or one set up on four weeks blocks.

It would appear that figuring expenses on a monthly basis would be the most convenient since the majority of expenses are paid monthly. This does not adequately solve the problem because one month is generally made up of four and a third weeks without there being four and a third paydays in any month. Therefore, it seems easier to imagine there are only four weekly pay periods each month. The advantage to this approach is that within the year there will be four extra paychecks which can be saved or used for unexpected expenses.

Clients who are paid on a monthly or semi-monthly basis may have trouble thinking in terms of weeks, instead of months. Therefore, examples of monthly worksheets and four-week block worksheets are presented at the end of this chapter.

Once a format is selected, determine the amount of income your client will have. He has already figured existing income; however, when he is overextended in terms of credit, you will want to explore the possibility of increasing the amount of income. The following are some questions that will facilitate this process and require the client to reassess all of the resources available, particularly those clients who are overextended in their credit.

a. What measures can be taken to increase income?
b. Is a job change feasible?
c. Is it possible to earn money in part-time work?

Any determination to increase financial resources should consider the lifestyle, goals and objectives of the individual family.

Once the client's income has been established, it is necessary to enter the fixed expenditures. This can be a very difficult phase because many clients may find it difficult to estimate expenses for some of the more flexible items, such as utilities, telephone, or groceries. For these reasons, clients must bring to the session receipts for all expenses, from which fairly accurate estimations can be made of future expenditures.

The following are some questions that should be asked to determine whether some reductions are possible:

a. How fixed and inflexible are these expenses?
b. Can rent be reduced?
c. Would different housing arrangements cost less? For instance, would the client qualify for low income housing?
d. Would it pay to incur moving expenses?
e. Can regular charge payments be rearranged?
f. Can payments be reduced by negotiation with creditors?
g. Can car payments be reduced by extending the payment schedule?
h. Can the car be traded in for a less expensive one?
i. Should debts be paid from savings?
j. Should a loan be taken out to pay off all debts and thus reduce monthly payments?

Variable expenses offer the best possibility for reduction and the above questions may be repeated when entering these expenses. The types of questions presented above would be appropriate with modification. However, counselors should be sensitive to the client's lifestyle, values, goals, needs, wants, and resources when reductions in expenditures are planned.

Now the client is ready to determine whether spending limits can be met. Obviously, this is the most important state in developing a budget because it will require that adjustments modifications be made. However, plans should be adjusted and modified only after careful study of actual and estimated amounts for both income and expenditures. Usually

adjustments must be made because original estimates were based on insufficient information; therefore, clients are urged to bring as much detailed information as possible to the planning session.

Experienced counselors have found that making a budget turns out to be easier than adhering to it. In fact, it is at this point that clients can exhibit a negative reaction to their financial plan because it requires keeping records. Therefore, records should be kept simple so that everyone involved understands where the money goes. There are additional reasons for keeping simple records of spending:

a. They indicate problems in the trial budget.
b. They demonstrate where the budget needs adjustment over a long term.
c. They help avoid impulsive buying.

It is advisable for clients to keep records on a weekly and monthly basis over the budget period. Below are some suggestions for keeping records which should be presented to the client. Again, the client should select a method of record keeping which is comfortable with his lifestyle.

First, the client should be concerned with records of day-to-day spending. Three possible methods are:

a. As money is spent, the item and its price are entered on a form containing separate columns for each category.

b. Everyone who buys for the family puts receipts or notations of expenses in one central location each day.

c. A "bookkeeper" may be appointed who collects all notes and receipts.

Examples of possible forms for record keeping and budgeting are shown at the end of this chapter.

It is recommended that families hold a weekly budget session in order to examine the weekly expenses and record them in the financial record of the family. This process should be repeated at the end of both the month and the budget period in order to compare the total categories with the trial budget.

If the client keeps accurate records, the evaluation of the financial plan is an on-going process. In other words, the client is continually comparing actual expenditures with planned expenditures so that adjustments in spending or in the plan can be made. Most clients will need to keep reworking their budgets until the results satisfy them. Even if a client is satisfied with a first budget, he should be cautioned that the plan will still need adjustments periodically as circumstances change.

The following are some questions to be considered in evaluating a budget:

a. If the amounts are the same, or close, is the client satisfied?
b. Did the client spend differently than he planned? If so, why?
c. Was the budget unrealistic or too rigid?
d. Was anything purchased that was not planned?
e. Was there any unexpected change in income?
f. Did the record keeping break down?
g. Did the plan fail because of poor communication between the spouses and other family members?

Since getting out of debt dictates that income be increased and/or spending be decreased, a very close examination of each expenditure is necessary. Following are some suggestions for decreasing spending in several areas.

HOUSING AND MANAGEMENT

1. Teach children to clean their own rooms, so there is no need for domestic service.

2. Learn to do simple repairs. Free or minimal cost courses are available through community colleges, public school adult programs, and the YMCA/YWCA.

3. Plan your own decorating. Free courses are available as well as magazines and books from the library on decorating hints.

4. Do your own painting.

5. Insulate the house for fuel conservation.

6. Equip the house with storm windows and doors.

7. Keep the house at lower temperatures at night. Reduce the heat before leaving in the morning if there is no one home all day.

8. Save newspapers, tin cans, aluminum, grocery bags and other items for recycling. Centers will pay for metals (approximately 17 ¢ per lb. of aluminum). This reduces the cost of trash pick up.

9. Plan meals to use a minimum of fuel - oven meals, pressure cooker meals, slow cooker meals, etc., where all part of a meal are prepared by the same method to reduce use of electicity and other fuel.

10. Use electic lights only when necessary. Do several pieces or all of your ironing once the iron is turned on. Do not leave the iron on for an extended period when answering the phone or door.

11. Carry only replacement value insurance on house and car.

12. Conserve water; do not water lawn or wash cars unnecessarily.

13. Make only emergency long distance telephone calls.

14. Give up all telephone extensions. Keep a record of telephone numbers to reduce directory charges.

15. Evaluate living quarters to determine whether a move is feasible to save money.

16. Investigate low income or public housing to find if you may qualify.

17. Improvise furniture instead of buying new: bricks and boards for bookcases, crates for dressing tables and bookcases, and door on wrought iron legs for tables. Investigate auctions and garage sales.

18. Use worn out towels to make wash cloths; worn out sheets to make table napkins, line draperies, etc. This cuts down on buying expensive paper products and saves on trash disposal.

19. Make your own furniture polish and other cleaning products.

20. Make your own curtains, bedspreads, and pillow cases.

21. Use washable dust rags, dish rags, etc. It is not necessary to buy paper towels.

22. Use glasses instead of paper cups.

FOOD

1. Carry lunch instead of eating in a restaurant.

2. Do more cooking from scratch to cut down on purchases of convenience foods.

3. Use slow pot methods to cook less tender and therefore less expensive cuts of meat.

4. Do not hide inedible items such as hose and cosmetics as groceries.

5. If storage permits, buy in quantity if cheaper.

6. Preserve foods when feasible.

7. Grow a garden if possible.

8. Do not buy junk foods such as potato chips, soft drinks, artificially flavored drinks, and candy.

9. Use equally nutritious reconstituted dry or evaporated milk for cooking instead of more expensive whole milk.

10. If space permits, store products such as whole wheat flour in the freezer to prevent spoilage.

11. Cook only as much as will be eaten unless it can be part of another meal. Estimate amounts; such as one medium potato per person.

12. Use leftovers in soups and casseroles.

13. Buy seasonal produce.

14. Use cooked cereal instead of more expensive sugar coated dry ones.

15. Use recipes that omit such expensive ingredients as nuts, coconut, and other decorative items.

16. Plans meals in advance, stick to the plan, and take advantage of weekly grocery specials.

TRANSPORTATION

1. Use public transportation

2. Sell one car and use public transportation, or car pool to and from work.

3. Consider moving in order to be closer to work.

4. Drive small cars that cost less to operate, license and insure.

5. Do your own maintenance such as oil changes. Take a night class in auto mechanics at the nearest high school or community college.

CLOTHING

1. Sew as much as is practical. Also repair and remodel.

2. Buy clothing that is washable if possible and feasible.

3. Carefully coordinate so accessories can be used for several outfits.

4. Launder carefully, following the clothing manufacturer's instructions.

5. Hang laundry on clothesline to dry instead of using dryer.

6. Organize laundry so a minimum number of loads are run.

7. Use detergent that works well in cool or warm water.

8. If dry cleaning is necessary, use coin-operated machines unless label advises differently.

9. Mend clothing promptly before laundry or cleaning. Replace lost buttons and snaps, and/or repair seams.

10. Have children change to old and worn clothing for rough outdoor play.

11. Teach children to care for clothing.

12. Do not dry clean washables.

13. Buy clothing that does not need ironing.

MEDICAL

1. Serve nutritious meals to cut down on illness and tooth decay.

2. Follow safety rules to prevent accidents.

3. Have regular check-ups to prevent chronic ailments.

4. Have a regular doctor and dentist in order to avoid duplication of tests and records.

5. Shop around for a family doctor and dentist whose fees are reasonable

6. Investigate services offered by the local health department.

7. Use immunization clinics.

8. Develop good health habits.

9. Learn how to take temperature and pulse. Enroll in free CPR classes if available in your community.

10. Learn the symptoms of common dieseases in order to determine when seeing a doctor is advisable. Take a free 1) first aid 2) baby care, or 3) home care of sick and injured offered by the Red Cross.

11. When a hospital trip is necessary, use a ward instead of a private room if possible. Check the statement of charges to be sure you received the treatment charged for.

12. Use free detection clinics for such disorders as diabetes, glaucoma, hypertension, etc.

13. Investigate health services offered by public schools, such as vision and hearing screening.

EDUCATION

1. Use the public libary, mobile library or nearby university library for reading materials.

2. Subscribe to only one daily newspaper.

3. Develop new hobbies that are productive and practical, such as sewing or woodworking. Help with the budget by making household items as well as gifts.

4. Study to improve your qualifications for the job you hold or the promotion you seek. This may increase job security.

EMPLOYMENT

1. Develop skills that enhance your position as an employee; become more versatile.

2. Make your position more secure by being a valuable employee.

3. Use washable uniforms.

4. Share transportation by car pooling to and from work.

5. Let your boss know you are interested in additional training - you may qualify for tuition-free courses in night school.

CHILD CARE

1. Investigate government operated nursey schools or day care centers.

2. Share child responsibilities with a friend or neighbor.

GIFTS AND DONATIONS

1. Carefully consider each situation, cutting out all the monetary giving possible. Do things for organizations rather than giving them money.

2. Make gifts instead of buying them. Do not buy expensive kits but learn to do several crafts from scratch out of materials that are easily available around the house or inexpensive to buy, such as sofa pillows in patchwork and afghans from your scraps.

3. Give of your time instead of you money. Visit a sick relative or friend instead of sending flowers from the florist.

RECREATION AND ENTERTAINMENT

1. Do family things together that are inexpensive: for example, hiking; picnicking; taking a trip to the zoo, museum or library; attending free concerts sponsored by museums and churches.

2. Consider the costs of habits such as cigarrettes and alcoholic beverages; then perhaps you may stop them or cut down.

3. Attend high school and sandlot sports events instead of expensive college and pro events.

4. Have pot-luck affairs at home for family and friends where everyone shares in providing the food.

5. Take vacations at home. Do something special each day.

PERSONAL

1. Select cosmetics that are reasonably priced.

2. Do your own shampoos, sets, manicures and other cosmetic functions that can be done at home.

3. Cut children's hair yourself.

4. Set reasonable amounts for children's allowances and have a definite understanding of what the amount is to cover.

5. Carry only the pocket change needed for bus fare and small items.

SAVINGS

1. Save regularly.

2. Use savings only in case of emergency.

MISCELLANEOUS

1. Have a lawyer evaluate any alimony payments; if the amount is unreasonable it may be reduced.

2. Consider all costs to determine if the family really profits from the mother working. Do the costs related to her working balance out the income she receives?

Summary

Budgeting is a process by which individuals may determine the most important uses of their money, record expenditures and plan for the future. The budget that works is the one that is on the client's goals and values. The first step, then, in the establishment of a budget, is to determine the values and goals of your client; the second step is the actual development of the budget. Accurate record keeping is an absolute "must" for a workable budget; it provides data needed to make adjustments.

Getting the most from your money may be aided by wise spending as well as controlled spending. There are numerous ways to decrease spending for daily living needs. Tips for reducing food and energy consumption and ideas for many "do-it-yourself" projects are included in this chapter.

RECORD OF LIVING EXPENSES*

Expenses		Weekly	Monthly
HOUSING	Rent or Payment		
	Electricity		
	Telephone		
	Heating		
	Taxes		
	Water		
FOOD	Food		
	Milk Bill		
	Bakery or Delivered Goods		
CAR	Gas & Oil		
	Repairs, Tires, etc.		
	License Plates		
INSURANCE	Hospital		
	Car		
	Household		
	All Life		
PERSONAL	Barber & Beauty Shop		
	Allowances		
	Toiletries		
	Cigarettes & Tobacco		
MEDICAL	Doctor		
	Dentist		
	Drugs		
CLOTHING	Family		
	Cleaning & Laundry		
GIFTS	Birthdays		
	Christmas		
	All Other		
EDUCATION	Tuition		
	Books, Papers, Magazines		
	Equipment		
DONATION	Church		
	All Other		
ENTER-TAINMENT	Movies & Plays		
	Dinners Out		
	Parties		
	Clubs, Sports, and Hobbies		
	Beverages (incl. alcoholic)		
	Vacations		
	Baby Sitter		
PAYROLL DEDUCTION	Dues - Union & Other		
	Social Security		
	Total Income Taxes (City, State and Federal) Number Exemptions Claimed ( )		
SAVINGS	Savings Bonds		
	Credit Union		
	Bank		
	Other		
MISC.	Alimony or Support Payments		
	House and Appliance Repairs		
	TOTALS		

*Credit Counseling Training Handbook, Credit Counseling Centers, Inc., Southfield, Michigan, p. 82.

RECORD OF EXPENSES

	Weekly		Monthly	
HOUSING AND HOUSING MAINTENANCE				
1. Rent or House Payment				
2. Taxes				
3. Insurance				
4. Electricity				
5. Heat and/or Air Conditioning				
6. Water and Sewer				
7. Trash Pick Up				
8. Telephone				
9. Repairs and Maintenance				
10. Furnishings - Furniture, Linens, and Appliances				
FOOD				
1. Milk Delivered to House				
2. Edible Food Stuff				
3. Nonedibles usually bought with groceries				
4. Pet Foods				
5. Snacks, "Coffee" Breaks, Lunches				
6. Restaurants				
TRANSPORTATION				
1. Car Payment				
2. Personal Property Tax and License				
3. Driver's License				
4. Gas and Oil				
5. Tires				
6. Repairs				
7. Taxi Fares				
8. Bus Fare				
9. Insurance				
10. Town Tax and/or Inspection Fee				
CLOTHING				
1. New Clothing (including shoes)				
2. Repairs, Alterations, etc.				
3. Dry Cleaning				
4. Laundry				
MEDICAL				
1. Insurance				
2. Doctors				
3. Dentists				
4. Hospital				
5. Drugs				
6. Treatments				
7. Vitamins				

EXPENSES, continued	Weekly		Monthly	
EDUCATION				
1. Tuition				
2. Books, Magazines, and Papers				
3. Equipment				
4. School Lunches				
EMPLOYMENT				
1. Insurance (Income Protection)				
2. Union and/or Professional Dues				
3. Special Equipment				
4. Clothing (uniforms, etc.)				
5. Lunch				
CHILD CARE				
1. Nursery School				
2. Baby Sitter				
3. Child Support				
GIFTS AND DONATIONS				
1. Birthdays				
2. Christmas				
3. Church				
4. Sympathy				
5. All Other				
RECREATION AND ENTERTAINMENT				
1. Cigarettes, Cigars, etc.				
2. Alcoholic Beverages				
3. Movies, Plays, etc.				
4. Sports (spectator and participant)				
5. Hobbies and Special Interests				
6. Vacations				
7. Home Parties				
PERSONAL				
1. Toilet Articles and Cosmetics				
2. Stationery, Cards, etc.				
3. Barber and Beauty Shop				
4. Allowances				
SAVINGS				
1. Savings Bonds				
2. Credit Union				
3. Payroll Deduction				
4. Bank				
5. Other				
MISCELLANEOUS				
1. Alimony				

INCOME AND EXPENSE RECORD

INCOME

DATE	ITEM	AMOUNT REC'D	

EXPENSE

DATE	ITEM	AMOUNT PAID	

CHAPTER VI

PAYMENT PLAN

The responsibility of the financial counselor is to help the family develop a realistic budget that will provide for all necessary living expenses plus the expected payments to all creditors. It is in the best interests of the family to make full contractual payments to creditors so that 1) the family will get out of debt as soon as possible and 2) the family's credit rating will be the best one possible.

In the event the family is not able to meet living expenses plus full credit payments within current income, the next step would be to explore any additional sources of income as a spouse working, a part time job, taking in a boarder, etc.

After exploring the reduction of living expenses and/or the generating of additional income, it may become clear that the family simply cannot meet full credit payments, expecially if the accounts are in arrears and creditors are demanding current plus delinquent payments.

At this point, the counselor can: 1) recommend to the family that they write letters to all their creditors explaining their financial problems and requesting more lenient payment terms or 2) write letters to creditors on behalf of the family outlining the family's problems or 3) refer the family to a Consumer Credit Counseling Service which has already established procedures to intercede with creditors on a family's behalf.

If the counselor decides to contact the creditors or have the family contact creditors to arrange reduced payments, the following suggestions may prove helpful :

1. Give the creditors enough information about the family's financial situation and any extenuating circumstances so that the creditor fees confident the family needs special consideration.

2. Treat all creditors equitably and indicate to them that you are doing so.

3. Assure the creditor that the family does not intend to create any new credit until all accounts are paid or at least brought to a current status.

Unless a counselor has a knowledge of the kinds of credit available, interest rates, secured vs. non-secured loans, collection agencies and attornies procedures, and has a working relationship with the credit community, it may prove more beneficial to the counselor and the family to refer them to a Consumer Credit Counseling Service.

Sample

Letter to a Creditor from the Family

XYZ Credit Corp.
Central City, USA

Dear Creditor:

Due to an accident, I am temporarily out of work , and, as a result, I am experiencing financial difficulty. With the help of Mr. Joseph Brown, a financial counselor, I have analyzed my current situation.

In order to provide for necessary household expenses plus credit payments, it is necessary that I ask each creditor to accept a reduced payment for the next three months. By then, I anticipate being back to work and earning as usual.

I shall appreciate your cooperation in making the payment plan work. In place of the regular payment of $50, I request that you accept payments of $30 per month during this emergency.

You can be sure that I will resume normal payments as soon as possible.

Sincerely,

Sample

Letter to a Creditor from a Counselor on behalf of a Family

RE: David and Susan Smith
100 Main St.
Central City, USA
Act no. 123456
Total indebtedness $7,000
No. of creditors 8
Net income $1,300
Living expenses $1,100
Proposed payment $45

First City Bank
Installment Loan Dept.
Central City, USA

Dear Sir or Madam:

Mr. and Mrs. David Smith, a couple in their thirties with three children, have come to us for help with their budgeting and debt problems. The Smiths recognize they have made some poor financial decisions in the past and are willing and able to make whatever changes are necessary to overcome their financial difficulties.

Mr. and Mrs. Smith had never developed nor adhered to a spending plan and relied on two incomes to meet living expenses plus credit payments. They realize they have overextended their use of credit. This situation became acute when Mrs. Smith was out of work for three months.

We have helped the Smiths set up a household budget and an equitable payment schedule for all creditors. The Smiths agree that they will not create any new credit until current obligations are met.

On behalf of Mr. and Mrs. Smith, we are asking that you accept the proposed monthly payment shown above. By so doing, you will not only help Mr. and Mrs. Smith in their efforts to getout of debt, but will also be helping a customer learn to budget and use credit intelligently.

If I can be of any help, or if you have any questions, please call me at 999-1000.

Sincerely,

Counselor

Case Study

Mary and John Doe have been married 17 years and are buying their three bedroom home. Mr. Doe, a supervisor in an industrial plant, has a take home pay of $1,000 per month. His company provides health insurance and some life insurance. Mrs. Doe, a secretary, returned to work recently and has a take home pay of $400 per month. The Does have three children, ages 15, 13, and 10.

In addition to the rising cost of living, the Does have had a series of financial problems. They had to put a new roof on the house, a car needed some major repairs, and one child required orthodontic work.

The following expenses are the amounts agreed upon by Mr. and Mrs. Doe in consultation with their counselor. These expenditures represent the values and priorities of the Does. Obviously, there are some changes that can be made. When the Does review their creditor list and the corresponding monthly payment, they will be willing and even anxious to revise the amounts spent in some categories. Using this approach insures that Mr. and Mrs. Doe will consider the budget "theirs" rather than something thrust upon them by a counselor.

	Monthly Budget Estimate
House payment, including taxes and insurance	$285
Electricity	55
Heat	50
Water - sanitation service	16
Telephone	15
Food, including household supplies	300
Gas/oil - 2 cars	80
Repairs to cars	15
Car insurance - tags - 2 cars	30
Life insurance	50
Doctor/Dentist	25
Drugs	10
Clothes	30
Dry Cleaning	10
Allowances	24
School Lunches (buy 2 days a week)	12
Work lunches	60
Barber/beauty shop	20
Tobacco	30
Newspaper	6
Recreation	20
Gifts	10
Church/charity	10
	$1,163

It is assumed that the amounts listed above already reflect some adjustments. At some point during the interview, the counselor will want to explore with the client ways to further curb spending; such as 1) taking more lunches to work rather than buying 2) encouraging the older children to earn their allowance and lunch money 3) reducing the clothing, recreation or gift expenditure.

There are some expenses the family may volunteer to forego that may prove unrealistic , such as giving up smoking, never giving a gift or having no recreation money. Providing for inexpensive family outings and special occasion treats may make the difference between an early "dropout" and a long term successful program.

Prorate Plan

Reducing creditor payments is a skill rather than a science and is affected by the financial situation of the family and the attitudes and policies of the creditors.

In the following example an attempt is made to directly correlate the amount paid to each creditor to the balance due each creditor. Special consideration must be given to some secured loans if repossession is an issue. The high interest rate on small loans may necessitate larger than proportional payments. On the other hand, those creditors who charge no interest or who are know to forgive interest for financially distressed families should receive the same fair share of the money available as the creditors charging interest receive.

	Present Monthly Payment	Creditor Balance	Amount Due Now	Arranged Payment
1. ABC Motor Credit (car)	$105.00	$1,575.00	$105.00	$80.00
2. XYZ Credit Corp. (furniture)	30.00	525.00	100.00	18.00
3. Master Charge	70.00	1,400.00	140.00	38.00
4. BAC/VISA	35.00	700.00	35.00	23.00
5. First City Bank	75.00	1,200.00	150.00	46.00
6. High-Class Clothes	25.00	250.00	50.00	10.00
7. Travel and Ent. Card	40.00 (10%)	400.00	400.00	14.00
8. Dentist	42.00 (10%)	425.00	425.00	15.00
9. Hospital	50.00 (10%)	500.00	500.00	18.00
10. City Finance	25.00	350.00		18.00
	$497.00	$7,325.00	$1,900.00	$280.00

The following is the rationale for the reduced payments:

1. ABC may agree to refinance the car at the lower payment. If not, the full car payment ($105.00) must be arranged since the car is necessary to get to and from work.

2. Although this is a secured loan, it is doubtful that the furniture is in danger of being repossessed.

3.& 4. Some creditors only require 5% of the unpaid balance as the monthly payment. It is necessary to consider how much of that payment goes to interest, how much is applied to the principal and prorate accordingly.

5. Bank loans may need some very special handling.

6. This store wants 10% of the unpaid balance, but is still only entitled to a proportional payment.

7,8,&9. These creditors want the entire balance paid in full. They will generally agree to monthly payments if they know they are receiving their share of the funds available.

10. This is a small loan on which the interest rate may reach 36%. In order to provide for principal as well as interest, a disproporionally large payment may be assigned such an account.

11. Reduced creditor payments of $280.00 when added to living expenses of $1,163.00 leaves a shortage of $43.00.

In some situations it would be necessary to further reduce creditor payments. In the case of the Doe family, the counselor recognizes that some of their living expenses could be trimmed, and should work with the family toward that goal.

CHAPTER VII

EVALUATION AND FOLLOW-UP

In order to determine whether your financial counseling efforts are achieving desired results, you will need follow-up information from your clients and others who have been involved in the counseling process. People who may be able to report constructive information are:

Creditors - may provide information which will help you determine whether the payment plan was satisfactory and if your client followed the plan.

Other Service Agencies - to which you may have referred your client for help with a problem or problems related to the financial difficulty may provide feedback. If would be beneficial for your to know if the problem has been resolved or in what manner these agencies had been able to help your clients.

Employers - may be willing to help in finding solutions for the financial problems of an employee and offer suggestions to you. All communication with employers should be with the client's knowledge and consent, and should be handled tactfully and cautiously.

The spouse - (husband, wife or family member) may be able to furnish information that enables you to improve your service to clients.

When a client fails to keep an appointment, you or some member of the staff should telephone immediately to determine the cause for the no show. In cases where there is a valid reason for missing an appointment, you will want to schedule another time to see your client.

A simple telephone call is the easiest way to get feedback from those clients who have successfully completed a counseling program. It may be desirable for a secretary or someone other than yourself to make the call, since your client may be more inclined to express his real feelings to a third party. Whoever makes the call should be aware of the purpose of the feedback and be able to obtain needed information from the client. Predetermined questions should be provided to the caller. (Interviewing techniques are presented in Chapter III of this manual).

You may want to develop a form to collect the information you need for evaluating and improving your service. These forms may be handed to the client during the last scheduled interview or given him as he leaves, with the request that he check them and mail them back. Or, you may mail the form to the client along with a stamped, self-addressed envelope. The completed forms should remain anonymous and the information used only for improvement of service. You may simply ask your client to write a letter, expressing his thoughts and feelings about his experience with the counseling service. Such an informal approach may touch on issues that are not included on printed forms. When you leave such an open avenue, be prepared to receive any type of response.

Some sample forms follow. These may not be complete or thorough enough for every situation, but they give some idea of the questionning devices that may be used.

FOLLOW-UP QUESTIONNAIRE

The following statements are designed to express your opinions as a client of a financial counseling service. Each statement is accompanied by a scale that indicates your feelings. Please place an X in the space that best describes your feelings of the service.

1. I feel comfortable and at ease in the counseling office.

_____

strongly agree agree disagree strongly disagree

2. I am always treated cordially by the staff.

_____

strongly agree agree disagree strongly disagree

3. I am seen promptly. I seldom have to wait for more than a few minutes for my conference with the counselor.

_____

strongly agree agree disagree strongly disagree

4. The counselor helps me feel that mine is not a lost cause - that together we can work out a solution.

_____

strongly agree agree disagree strongly disagree

5. The counselor is knowledgeable and capable of giving me guidance.

_____

strongly agree agree disagree strongly disagree

6. My creditors are cooperative and participate in my payment plan.

_____

strongly agree agree disagree strongly disagree

7. They have confidence in the counseling service.

_____

strongly agree agree disagree strongly disagree

8. Any additional comments (optional) :

SAMPLE

QUESTIONNAIRE FOR FOLLOW-UP

Please answer the following questions honestly, based upon your opinions as a client now that you have completed the financial counseling program. Do not sign your name.

1. Were you satisfied with your visits to the financial counselor?
   Yes _____ No _____
   Comments: _____
   _____

2. Did your counseling accomplish what you hoped it would?
   Yes _____ No _____
   Comments: _____
   _____

3. Would you come back again if you get into financial trouble?
   Yes _____ No _____
   Comments: _____

4. In what areas were you disappointed, either in the counselor or the service?
   1. _____
   2. _____
   3. _____
   Comments : _____
   _____

5. In what areas were you most completely satisfied?
   1. _____
   2. _____
   3. _____
   Comments: _____
   _____

6. Do you have any suggestions for improving our service to our clients?
   1. _____
   2. _____
   3. _____
   Comments: _____
   _____

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